

SENATE BILL REPORT

SB 5653

As Reported By Senate Committee On:
Economic Development, Trade & Management, February 21, 2007
Ways & Means, March 5, 2007

Title: An act relating to the establishment of a self-employment assistance program.

Brief Description: Authorizing the development of self-employment assistance programs.

Sponsors: Senators Kauffman, Kastama, Brown, Berkey, Rockefeller, Keiser, Franklin, Kohl-Welles and Shin.

Brief History:

Committee Activity: Economic Development, Trade & Management: 1/30/07, 2/21/07 [DPS-WM].

Ways & Means: 3/05/07, 3/05/07 [DPS(EDTM)].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: That Substitute Senate Bill No. 5653 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Zarelli, Ranking Minority Member; Clements, Kauffman and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5653 as recommended by Committee on Economic Development, Trade & Management be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Paula Moore (786-7449)

Background: Unemployment Insurance: The unemployment insurance system is a federal/state program under which employers pay contributions to fund unemployment compensation for unemployed workers. These payments are made under state unemployment tax acts

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

(SUTA) and the Federal Unemployment Tax Act (FUTA). Washington's program is administered by the Employment Security Department (ESD). In Washington, effective for claims filed April 24, 2005, and later, an individual's weekly benefit amount (WBA) is 3.85 percent of the average of the claimant's wages during the two quarters of the base period in which the wages were the highest. Washington's maximum amount of regular benefits payable to an individual is the lesser of 26 times the WBA, or one-third of the base period wages. Potential duration of benefits varies among claimants but is limited to 26 weeks. An individual must be actively searching for employment in order to receive benefits.

Federal Pilot Programs for Self-Employment Assistance: The U.S. Department of Labor funded pilot projects in Washington and Massachusetts from 1989 to 1991, providing self-employment assistance to unemployed workers. The results showed that self-employment assistance efforts for those who self-select as wanting to start a business were cost effective for the participant, the federal government, and society as a whole.

Washington's pilot showed that, compared to a control group of individuals that wanted to start a business but did not participate in the program, participants were twice as likely to start a business, twice as likely to stay in business, twice as likely to hire employees, and they paid their employees almost twice as much.

Self-Employment Assistance and Unemployment Insurance: Congress enacted legislation in 1993, permitting states to adopt self-employment allowance provisions as part of their state unemployment insurance laws.

California, Delaware, Maine, Maryland, New York, Oregon, and Pennsylvania have implemented self-employment assistance programs consistent with the guidelines established by the Department of Labor. These programs essentially allow individuals receiving unemployment benefits, who have been identified as likely to be unemployed long term, the opportunity to establish a microenterprise. Participants receive benefit payments during their unemployment insurance eligibility period while engaged in business training and the startup of a business.

Summary of Bill: When an individual initially applies for unemployment insurance benefits, the ESD will determine if, based on the individual's characteristics, if the individual is likely to exhaust his or her insurance benefits. If the department determines the individual's characteristics suggest he/she is likely to exhaust benefits, the individual will be eligible for self-employment assistance programs and may be referred to these program. Enrollment in a self-employment assistance program satisfies the weekly work search requirement that an individual must do to be eligible to receive weekly benefits. Enrollment in a self-employment assistance program does not entitle the enrollee to any additional benefit payments. The Commissioner of the ESD must approve the self-employment assistance programs. The department is not obligated to expend any funds on providing the self-employment assistance programs.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Economic Development, Trade & Management): Persons completing a self-employment program may not directly compete with their former employer. The effective date of the act is January 1, 2008. The act expires July 1, 2012.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Economic Development, Trade & Management):

PRO: Training would help people start their own business. Microenterprise development is a proven tool that helps low-income individuals work their way out of poverty.

CON: Assistance should be made available to all businesses, not just those laid off. This sets up small businesses to fund the start-up of a competitor.

OTHER: This is limited to those most likely to exhaust their unemployment insurance benefits. It allows them to collect their regular weekly benefit while in the start-up phase. Between 5 and 8 percent of dislocated workers are good candidates for starting their own business.

Persons Testifying (Economic Development, Trade & Management): PRO: Senator Kauffman, prime sponsor.

CON: Carolyn Logue, National Federation of Independent Business.

OTHER: Annette Copeland, Judy Johnson, ESD.

Staff Summary of Public Testimony (Ways & Means): None.

Persons Testifying (Ways & Means): No one.